INTERNAL MARKETING ENHANCES BUSINESS PERFORMANCE

Oldřich Kratochvíl^{1*} and Iveta Hashesh^{2**}

^{1,2}*European Polytechnic Institute, Ltd., Czech Republic*

Abstract: Marketing Management nowadays needs to face up to the rapidly changing internal and external business environment. Enterprises today have to fundamentally change their approach how to successfully enter the new knowledge economy. They first must get rid of their inflexible rigid hierarchical organizational structures which only serve to inhibit the necessary changes. The solution is to create within each company newly cooperating and organizationally linked teams that also receive sufficient autonomy to be able to collaborate internally with each other while achieving common goals. It is only by employing this organizational style of structure that Knowledge Management can be fully realized. The emergence and development of a community based culture of an organization can best be stimulated by its top management via the quality of its internal communication. The classical marketing communication of a company mainly affects its customers and is designed to ensure the implementation of its strategic marketing and operational objectives, including PR and sales promotion. Nowadays though, with the development of the global activities of firms, the struggle for the knowledge of their workers begins first at the labor market. The most important task of top managers is to retain their „key persons“ and to support their personal development whilst ensuring their participation in the projects and designs of the future. Therefore, a modern top management must treat its own employees the same way as it treats its customers and clients.

Keywords: Marketing communication, stakeholders, competencies of a manager, knowledge workers.

Introduction

Marketing management today must face the rapidly changing internal and external business environments and satisfy the requirements of its stakeholders. In the current business environment it is difficult to predict unforeseen changes. If companies want to survive now, they need to respond appropriately to the changes in the competitive rules of global competition, to climate change, to the gradual depletion of conventional sources of energy, and to the political instability of the modern world. As the future cannot be estimated sufficiently accurately, management and organizational structures should adapt their strategies to these developments.

At the end of the last century, most managers would use sophisticated mathematical and simulation models based on the assumption that people make decisions rationally and that the extremes balance the market. In crisis situations, however, these

approaches have often failed because people and hence managers do not actually behave rationally in most cases. [3] And at a time of overproduction their decisions can be influenced by their emotions. This latter factor can also significantly affect their corporate management abilities.

On entering the new knowledge economy businesses need to be fundamentally change their approaches. They need to be able to rid themselves of any inflexible rigid hierarchical organizational structures which rigidly fail to support any necessary changes. The best solution is to create internally cooperating, organizationally linked teams. These should have sufficient autonomy in the organization and fulfillment of their tasks, and the possibility to collaborate internally to achieve their common business objectives. The foundation of success for this teamwork lies on the assumption that their team members take their participation in their common objectives and targets on their own. This undertaking

will result in the creation of a mini-community, based largely on informal relationships. Therefore this requires a radical change in staff thinking.

Top Management employing effective tools must therefore be the initiator of such a business transformation. This involved having the correct vision, strategic objectives, strategies and right project implementation. Because this is such a fundamental change in the organization of a business, it is necessary before starting to win over a sufficient number of managers and knowledge staff for these ideas, ideas which would need to be supported both formally and informally. The goal is to have similar

management structures as have universities or hospitals today. Knowledge based staff inside a company can create communities for solving these problems or tasks. However the promotion of such an organizational change is definitely not easy. The implementation process of such a change is primarily aimed at overcoming the natural resistance to change. This is unfortunately quite standard and generally accepted for most workers. There are seven individual steps in changes that are copied in parallel by the so called phases of change curve, which every worker undergoes during the course of changes: [46]

Figure 1: Phases of change from the perspective of a worker, Source: [1]

We eliminate resistance to change only by employing the corresponding communication techniques. The basic precondition for the effectiveness of this communication is the trust between the manager, who is responsible for the implementation of these changes, and all of those involved in the changes. All the involved parties experience change, and any implemented changes emotionally. This experience can best be demonstrated by the following model –

the so called Emotional Curve of Change that divides the individual perception of the change process into seven successive stages.

Managers and leaders must understand the progress of the emotional perception of each phase of the changes in their employees, and they even have to respect their individuality.

Figure 2: Perception Changes Curve, Source: [3]

In order to overcome all these stages of change and to have the proper response to these perceived changes, top management needs an effective communication system, and one which will affect all company staff. Top management not only expects change in its organization, but subsequently also a significant increase of creativity, of its innovation capabilities, and ultimately of business performance. Top management must approach all the actors of this change as they do with a customer - the client who is the source of income for the organization and who participates in the prosperity of the organization. [8]

For this situation, top management needs to change fundamentally the existing model of communication. Classical marketing communication affects mainly the classical customer and is designed to ensure the implementation of strategic marketing and operational objectives, PR and sales promotion. It strives to maintain its existing customers and to acquire new ones. In order for the company to prosper, this external marketing communications is of course essential.

This classical model of effective marketing communication can be represented as follows:

Figure 3: Model of effective marketing communication, Source: [2]

As a suitable tool for their work a marketer uses the Communication Marketing Mix consisting of:

The typical communication objectives of classical marketing and marketing communications are the increase of sales, the awareness of the company and the brand, the influencing of the attitudes of

customers and the public to the company and its brand, the strengthening of customers' brand loyalty, and finally the stimulation of the customers for purchasing and building up the market.

Figure 4: Communication mix, Source: [2]

The marketers project a communications strategy for every element of the communications mix .

The External Communication Mix in the classic concept consists of:

Advertisement

Direct Marketing

Sales promotion

Public relations

Event marketing and sponsoring

On-line communication

Fairs and Exhibitions

The model of making communication strategy can thus be broadly described as:

Figure 5: Key decisions in the creation of a communication strategy, Source: [2]

This process of the creation of a communication strategy is finally completed with the project of communication and media mix towards the customers.

In the modern knowledge-based enterprise, the sources of profit are not only customers, but also the company's own knowledge staff. Businesses are always looking hard for such workers. Because the labor market now begins to show a significant lack of these knowledge workers, they do not have any problem in finding a place at the competition. And if the competition can get such a worker he/she takes away part of the know-how of the company.

The Leaving of skilled workers will significantly impede knowledge-based management in their enterprise, and it may damage the interpersonal relationships and trust of employees and staff in their top management. The question now is how to address this situation. The solution can best be found in a change of the top management approach to these workers.

Top management must consider the employees of their company as being valuable clients, and all their decisions should be done not only in favour of their external customers, but also from the perspective of their own employees. Thus a synergy of interests of both actors must be found. The vital requirement of a company therefore is its client approach to its customers and as well as to its employees. For the formation of a positive opinion of these employees of their company, it is useful when an enterprise not only prevents its employees leaving, but also when it creates a qualitative internal activities and internal marketing communication mix aimed towards the satisfaction and loyalty of its employees.

Thus existing competencies of the existing external marketing communications of a manager should now be enhanced by the requirement for competence in the design and implementation of its internal marketing. Internal marketing here refers both to the maximum satisfaction of employees and to the

applications of the marketing mix tools for internal corporate relationships [14].

Internal marketing deals with the examination of what would motivate employees best within a company to increase their efficiency and to create a better opinion about the company itself. And also on the contrary, with those factors which would demotivate them.[15]

The marketing communication mix for the external environment is closely connected to the marketing communication mix for the internal environment. Its planning and implementation for the prosperity of a company is as important as having the right combination of the external variables of the marketing mix. An effective model of internal marketing communication will increase the company's efficiency and its competitiveness.

Figure 6: The relationship between external, internal, and interactive marketing, Source: [15]

So if the company is able to specify what exactly the company wants to offer to its employees (in exchange for their work effort and loyalty), and what the company itself wants to sell to its employees, it then finds it will have, as in the normal communication mix for internal communications mix, the available tools that complement each other.

The main forms of marketing communication that companies most often implement towards their

customers can be also be applied towards the employees of a company.

Then the various forms and their combinations cover the whole internal marketing communication.

The following overview of specific tools, listed in the table below, can be a good example of the application of the classical communication mix in the internal environment of the company.

Table 1 An overview of specific tools in the internal communication mix, Source: [9]

Advertisements	Promotion of new campaigns, new employee benefits, an invitation to corporate events published on bulletin boards, intranet or in the company magazine, etc.
Sales promotion	Marketing materials and promotional items (such as corporate T-shirts) during special campaigns, internal trainings, discounts for the purchase of corporate products and services etc.
Public Relations	Regular business meetings, sports and social events, regular assessments, errands of managers, regular news about the success of the company and general developments in the company – via intranet or via e-mail or published in magazine, etc.
Sponsorship	Employee benefits, contributions to cultural events or sporting events, corporate clothing, etc.
Direct and interactive marketing	News, intranet presentations, online contacts, leaflets promoting changes or new products, managerial communication etc.
Viral marketing	Dissemination of good news within the company, spreading goodwill to the external environment.

Moreover, because of the current shortage of skilled labor, company management needs to build an internal communication mix that will use the following variables to resolve these problems:

Possibility of career growth

Possibility of further education

Pleasant and stimulating corporate culture

Satisfaction of the social needs of employees

Availability of the workplace

Salary and benefits

Self-realization

By modeling these variables, the personnel stability, quality image, uniqueness, creativity and attractiveness for the enterprise, its customers, stakeholders and job seekers can all be ensured.

The modern manager can systematically build his/her methodology, technology and competence for the modeling of these variables:

Possibility of career growth (horizontal and vertical):

To enable the opportunity for every worker to realize his life goals.

To allow him to pick either the position of a manager or a knowledge worker.

Knowledge workers require constant possibilities for their professional self-education, the freedom to be creative and they can see their career in the horizontal plane.

In contrast, people who aspire to management positions, can see their career in the vertical plane development of their managerial competences.

Top management must offer solutions to these workers in their career rules and schedules, training programs for staff, fellowships, etc.

Pleasant and stimulating corporate culture

The knowledge worker does not like a prescriptive environment. He prefers a workplace where people are happy, where there is a good team spirit, and where he will find friendly relations. Building such a corporate culture is another aim of top management.

Satisfaction of social needs

Top management must strive to support extracurricular staff activities. Workers appreciate these public and subsidized recreational events, they appreciate help with the solving of the life situations of their family members, their promotion of their health and retirement needs, etc. The low costs in

these areas can prevent significant losses when the worker leaves on competition.

Availability of the workplace

When top management thinks about its enterprise development, an important criterion for deciding the place of work is its accessibility, including sufficient parking capacity.

Flexibility of working hours and the possibility to work from home („home office“)

A significant variable that influences worker satisfaction is the possibility of flexible working hours and work from home. This variable is particularly important for women caring for small children. However, the psychologist Gail Kinmanová of Bedfordshire University, showed in her research that flexible working hours and work from home caused insomnia and can lead to a propensity for overeating. Research in the Czech Republic showed a diversity in the interest of enterprises in their types of working time as shown in the following table:

Figure 7: Percentage of preference types of flexible jobs in the Czech Republic, Source: [10]

IBM Czech Republic allows its server administrators to work from home. The quality of their work is at the highest level, their workers appreciate this possibility and they don't point any of the above mentioned problems.

In Britain, if the employee has been working for a company for more than six months, he/she has even the right to apply for a flexible start or end of their working hours. Working outside the office („home office) or a part-time job can be partially socially isolating for the worker, but top management can replace this deficit by using targeted joint activities. [12]

Salary and benefits

Most manufacturing companies make up their salary from two components – a basic salary and a bonus. The basic salary is guaranteed to a worker. Premiums are variable and mostly depend on the worker's contribution to economic performance. As for knowledge workers, premiums depend not only on their contribution to economic performance but also on the contribution to the development of the company as a whole.

It is not only the amount of the premium that is important, but also the ratio between both components of the salary.

In companies in the Czech Republic the most commonly used ratio is 70:30 (70% of salary consists

of a basic salary and 30% is the premium). In the case of a further increase in staff salaries, the above mentioned ratio is usually maintained. If the amount of the bonus is below 20%, it causes zero motivation for workers.

A manager must also decide whether to give priority to an individual approach for each employee or a team one, and whether an individual performance is more important than a team performance. The most suitable alternative is a combination of both. In the community structure of a company, it is useful to give sufficient freedom for working with the premiums of team leaders.

Employees are not motivated though just by their salary. There are other benefits which play an important role. Companies use them to build up the loyalty of their employees and the motivation of their employees. Benefits can also be an important decision criteria for job seekers when deciding between several job offers. The offer of corporate benefits is very wide - from subsidized meal vouchers for refreshments at the workplace, to more vacation days, use of a company car, or other leisure employee benefits.

The following two graphs show the percentage of firms in the Czech Republic that use the following benefits:

Figure 8: Benefits and motivation of employees, Source: [11]

Figure 8: Non-financial motivation of employees in the Czech Republic, Source: [13]

The following graph relates the number of offered benefits with the productivity of labour:

Figure 9: Interconnection between benefits and productivity of labour, Source: [11]

It shows the degree of dependence of labor productivity on the number of benefits offered by an employer.

Amongst popular benefits in the Czech Republic, are the online portals - the so called „Cafeteria“ In such an application, employees log in with their username and password. Then you can pay in normal shops or e-shops with a benefit card by using a unique number and PIN.

"Bonus Sacrifice" is a product in which an employee can decide whether he leaves his assigned benefit points in the cafeteria, or whether he transfers them to his salary (and of course this is then appropriately taxed).

Self-realization

The highest goal for the knowledge worker is his self-realization. He is then aware of his importance for the prosperity of the company and he wants to manage his work himself as much as possible. His desire is thus logical - if he has to create, he needs freedom. It

is in the interest of top management to create such conditions for their knowledge workers so that they can feel that they have sufficient space for their self-realization.

Another goal of internal marketing communication is to build up good internal PR. PR activities are therefore a part of the marketing is focused on the key groups in both the internal and external public - ie. customers, suppliers, other experts and the general public, but also on the employees, shareholders or other owners, thus indicating the entire group as stakeholders. The biggest group on whom internal communication focuses are primarily the employees. For this reason, PR which is a part of internal marketing, must also focus on them. PR is based on the communication strategy of a company, which includes the whole company communication with all its partners. This communication strategy is based on the company's strategy and the means for its implementation. By the communication strategy, we understand by this a summary of the basic objectives and the means to achieve them. [9]

Table 2 External and internal PR activities

Activities focused outside the company	Activities focused inside the company
Press conferences, press releases, annual reports, company profile, web-internet presentation, discussion forums, competitions	Regular reporting on the company's market position, the company activities, strategies, plans and their implementation through regular corporate or team meetings, e-mail or regular news sections on the Intranet, Intranet, Discussion forums, competitions
Regular meetings with business partners	Regular managerial errands among employees, discussions
Professional, social and sports events	Internal training, social and sports events
Case studies, articles about products or personalities of the company, successful projects, references	Case studies, articles about products or personalities of the company, successful projects, references mediated to employees via a corporate magazine, boards or intranet
Sponsoring	Sponsoring of employees' activities, social benefits for employees
Open days of the firm	Open days of the managers (top management)

As we have already stated, enterprise knowledge management is based on the community culture of a company. From this it then follows that if today's organizations want to succeed well in the first decades of the 21st century, they must first abandon their old rigid hierarchical organizational structures, and then establish their presence in a cooperation

network of interconnected teams. The success taking place is conditional on a radical change in the owners', managers', employees' and all participating interest groups thinking.

The first step to this building up of a community organization is the formation of small autonomous

teams, managed for the support of community cooperation in the solving of their important specific tasks. The initial impetus for them is first given by the engaged managers. By using such measures and with targeted internal communications, top management should then be able to promote not only the creation of these teams but also their successful cooperation.

In this process where top management takes these community teams in the same way as they take clients for realizing their goals, we then will have a

References

- Stöhr, T. Management změny [online]. [cit. 25.3.2014]. Dostupný na WWW: <http://e-api.cz/page/70968.management-zmeny/>
- Karlíček, M. a kol. Marketingová komunikace. Praha: Grada, 2016. Isbn 978-80-271-9065-2.
- Mbp Consulting. Řízení změny [online]. [cit. 15.4.2014]. Dostupný na WWW: <http://www.mbpconsulting.cz/cs/knowhow/change/>
- Drucker, P. F. Řízení v době velkých změn. Praha: Management Press, 2003.
- Drucker, P. F. Výzvy managementu pro 21. století. Praha: Management Press, 2001.
- University Of California Berkeley. Henry Chesbrough [online]. [cit. 15.4.2014]. Dostupný na WWW: <http://facultybio.haas.berkeley.edu/faculty-list/chesbrough-henry>
- Gary Hamel. [online]. [cit. 15.4.2014]. Dostupný na WWW: <http://www.garyhamel.com/>
- new way of communication used by top managers including the employment of team leaders and all knowledge workers all playing a significant role. Because these teams and knowledge workers are the owners of the very knowledge which becomes the most important source of enterprise profit, it can thus be expected that it will be necessary to find the answer to the following question: „What is the most effective way of bonding first the gold collar workers and later the knowledge workers into the ownership structure of the company?„
- <http://emi.mvso.cz/EMI/2009-01/05%20Pitra/Pitra.pdf>
- http://strategie.e15.cz/special/interni-pr-v-praxi-aneb-i-zamestnanec-je-zakaznik-744817#utm_medium=selfpromo&utm_source=e15&utm_campaign=copylink
- http://finance.idnes.cz/zajem-o-praci-na-polovicni-uvazek-roste-fc1-/podnikani.aspx?c=A090105_103707_firmy_tipy_fib
- <http://www.hr-monitor.cz/motivace-benefity>
- http://ekonomika.idnes.cz/prace-z-domova-muze-napachat-vic-skody-nez-uzitku-f7k-/eko-zahranicni.aspx?c=A160105_101209_eko-zahranicni_chrs
- <http://byznys.ihned.cz/podnikani/c1-60925690-zamestnancum-pristi-rok-spise-nepridame-mzdy-budou-stagnovat-shoduji-se-zamestnavatele>
- Tomek, Gustav. Sřety marketingu: uplatnění principu marketingu ve firemní praxi. Vyd. 1. Praha: C. H. Beck, 2004, s. 63. ISBN 80-7179-887-8.
- https://cs.wikipedia.org/wiki/Intern%C3%AD_market_ing